State of the Sector

REITs, ESG disclosures and the Human Right to adequate housing

JULY 2023 REPORT

SHARE

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This version was updated in July 2023. Updates include additional sources and a correction to an error on the estimated percentage of REIT ownership of purpose-built rental units across Canada.

Contents

List of acronyms

AGI: above guideline rent increase

ARI: additional rent increase

Boardwalk: Boardwalk Real Estate Investment Trust

CAPREIT: Canadian Apartment Properties Real Estate Investment Trust

CMA: census metropolitan area

CMHC: Canada Mortgage and Housing Corporation

ESG: environmental, social and governance

GRI: Global Reporting Initiative

GRESB: Global Real Estate Sustainability Benchmark

InterRent: InterRent Real Estate Investment Trust

ISSB: International Sustainability Standards Board

Killam: Killam Apartment Real Estate Investment Trust

Minto: Minto Apartment Real Estate Investment Trust

Morguard: Morguard North American Residential Real Estate Investment Trust

REIT: real estate investment trust

SASB: Sustainability Accounting Standards Board

SDGs: Sustainable Development Goals

Executive summary and key findings

A wide range of investors are exposed, through their public equities portfolios, to real estate investment trusts (REITs) in the residential sector. As with any other sector, investors expect a level of transparency and disclosure from public issuers on investment risks, including the human rights risks that are often included in the policies and processes that investors adopt to consider environmental, social and governance factors.

Investing in the housing sector raises a distinct set of human rights issues, and there are few tools to guide investors in understanding the issues associated with REITs.

- This report **identifies an initial set of recommended disclosures** that REITs could provide to enable investors to identify, manage, prevent and/or mitigate adverse impacts related to the human right to adequate housing in their multi-family real estate portfolios.
- It **reviews the public filings of Canada's six largest residential REITs** in 2021 and 2022 to evaluate whether they disclose the type of information that investors need to perform human rights due diligence and identify, manage, prevent and/or mitigate adverse impacts related to the human right to adequate housing.
- Where adequate data exists, **the report analyzes the performance of Canadian REITs** based on these metrics and disclosures.

The report focuses on three interrelated criteria for the realization of the human right to adequate housing: affordability, security of tenure and habitability. Overall, this report finds that some REITs disclose enough information for a limited analysis of how their rental rates compare to median renter incomes, but none disclose enough data on their approach to evictions or building maintenance – both of which are deeply connected to affordability. Our analysis suggests that:

- Investment strategies that capitalize on tenant turnover and subsequent suite renovations to increase rents are a detriment to affordability with potential adverse human rights impacts.
- REITs do not provide investors with the data they require on evictions and approaches to building maintenance to identify, manage, prevent and/or mitigate adverse human rights impacts.

Recommended disclosures

Affordability

- Average monthly rents and renters' household incomes
- Rent increases in turned-over suites
- Rent increases in repositioned suites
- Rents in affordable housing portfolio

Security of tenure

- Eviction rates

Habitability

- Rent increases above provincial/territorial guidelines and limits
- Maintenance data on citations, fines or settlements for violations of standards of maintenance, health, safety and related bylaws or regulations

Key findings: A summary

Affordability: Housing is inadequate if its cost threatens or compromises the occupants' enjoyment of other human rights.[i]

Do REITs provide their investors with sufficient disclosures?	
	Mixed. Killam Apartment REIT (Killam) provides the most complete disclosures on housing affordability, followed by Boardwalk REIT (Boardwalk) and then Canadian Apartment Properties REIT (CAPREIT).
What is the performance of Canadian REITs against these metrics?	
	Rents are not affordable for the majority of tenants earning median renter incomes: Boardwalk provides the most complete disclosures, with 2022 rents costing between 22% and 37% of median renter incomes. Based on the data we analyzed, CAPREIT's average rent would consume 76% of a median wage–earning renter's income in Toronto, for example, leaving $514/month for other expenses. A Halifax renter would pay 62% of their median income to live in a suite renting at Killam's average rate, leaving them with $810/month for their other expenses. **New tenants pay 13% more than previous tenants:** Rents for tenants signing new leases in turned-over suites rose dramatically in 2022, with all four reporting REITs averaging a 13% increase. Of the four REITs that disclose data, CAPREIT raised its rents the most, with incoming tenants paying 14.5% more than previous residents. This would leave a Toronto renter earning a median renter income with $275.37/month for other expenses. **Tenants in newly renovated suites pay up to 29% more than previous tenants:** Only Minto Apartment REIT (Minto) and Killam provide any data on rents in suites that were repositioned during the reporting period we analyzed. Renters of these suites would be paying 25%–29% more than previous tenants in non-renovated suites. We estimate that average rent in one of Minto's renovated suites would cost a tenant $2,648/month, which would leave them with $564 for other expenses if they were earning a median renter income.

i In Canada, the Canada Mortgage and Housing Corporation (CMHC) defines affordability as housing that costs less than 30% of a household's before-tax income based on local demographic data.

Security of tenure: Housing is inadequate if its occupants do not have a degree of tenure security that guarantees legal protection against forced evictions, harassment and other threats.

Do REITs provide their investors with sufficient disclosures?	
✗	**No.** Evictions data is key for investors who are seeking to understand the risks associated with investment strategies whose results depend on increasing rents in vacant suites for incoming tenants. None of the six analyzed REITs disclose any information to investors regarding eviction rates across assets or any related data, such as the number of evictions contested by tenants at residential tenancy boards and the percentage of those that were resolved in the tenants' favour. Furthermore, none of the REITs report on any evictions related to the demolition of buildings for new developments.
How do Canadian REITs perform?	
?	**No data.** Investors have insufficient data to assess how REITs are managing human rights risks related to security of tenure.

Habitability: Housing is not adequate if it does not guarantee physical safety or provide adequate space, as well as protection against cold, dampness, heat, rain, wind, other threats to health and structural hazards.

Do REITs provide their investors with sufficient disclosures?	
✗	**No.** REITs in certain jurisdictions, such as Ontario and British Columbia, can apply to provincial tenancy boards to increase rents above annual rent increases for eligible capital expenditures, including some related to maintenance and upkeep. "Above Guideline Increases" (AGIs) have been the subject of negative media reports, rent strikes and protests because they can dramatically increase the rents paid by tenants over time. Only CAPREIT provides any data on the number of above guideline increases it applied for and the rent increases it was granted.
How do Canadian REITs perform?	
?	**No data.** Investors have insufficient data to assess how REITs are managing human rights risks related to habitability.

Introduction

The Canadian rental housing market is facing an affordability crisis that has a pronounced impact on renters. In 2021, the core housing need rate[ii] for renters was 20% versus 5.3% for homeowners, with 33.2% of renters in Canada spending 30% or more of their income on shelter costs.[1] Spurred by inflation, listing prices for rental housing increased by 12.4% between November 2021 and November 2022.[2]

For more information on institutional investors and housing, read our 2021 report, ***Investors for Affordable Cities***.

The reasons behind the crisis are complex. They include the federal government's shift from providing non- market housing, the rise of a secondary market of condominium rentals, demographic pressures and rent control deregulation.[3] Increasingly, the financialization of housing, or the growing participation of institutional investors in the rental housing market, is under scrutiny for its role in exacerbating the housing crisis.[4] Although it is difficult to quantify the housing affordability implications of financialization across Canada's market, academic research, housing advocates and media reports have documented how specific practices embedded in some business models adopted by institutional investors erode security of tenure and contribute to rising rents.[5]

Institutional investors such as pension funds, foundations and religious investors participate in the housing market through direct investment, private market products and public equity vehicles such as real estate investment trusts (REITs). REITs are publicly listed real estate companies that pool capital to acquire and manage diversified real estate portfolios on behalf of unitholders, which include retail investors, asset managers, pension funds and other institutional investors. In Canada, REITs have been criticized for pursuing investment strategies that result in outpricing and/or displacing existing tenants and for renting suites to new tenants at a significantly higher cost.[6]

In addition to reputational risks, the controversy surrounding REITs has contributed to regulatory risks. The federal Liberal Party's 2021 election platform included a promise to review the tax treatments of REITs,[7] which are presently exempt from paying corporate taxes under the Canadian *Income Tax Act* if they distribute their taxable income to their unitholders.[8] Following the 2021 election, the Liberals signed an agreement with the New Democrat Party that pledges "tackling the financialization of the housing market by the end of 2023."[9]

ii The Canada Mortgage and Housing Corporation (CMHC) uses the term "core housing" to refer to whether a household's housing falls below indicator thresholds for housing adequacy, affordability or suitability and whether a household would have to spend 30% or more of its total before-tax income to pay the median rent of alternative acceptable local housing.

About this report

A wide range of institutional investors hold REITs, which offer liquid exposure to real assets, in their equities portfolios. There is a critical lack of tools and resources to support investors in understanding how and whether the residential REITs they invest in uphold the human right to adequate housing. This report is a first step in clarifying what types of metrics and disclosures REITs can provide to enable investors to perform human rights due diligence and mitigate related risks in their multi-family real estate portfolios. The report aims to:

1. Define a set of disclosures for REITs that facilitate investor human rights due diligence processes.
2. Evaluate whether REITs are making sufficient disclosures to allow investors to conduct human rights due diligence.
3. Analyze, where adequate data exists, the performance of Canadian REITs based on metrics and/or disclosures.

We analyze the six Canadian residential REITs trading on the Toronto Stock Exchange that have over 5,000 residential units in the Canadian market (Table 1):

- Boardwalk Real Estate Investment Trust (Boardwalk)
- Canadian Apartment Properties Real Estate Investment Trust (CAPREIT)
- Killam Apartment Real Estate Investment Trust (Killam)
- InterRent Real Estate Investment Trust (InterRent)
- Minto Apartment Real Estate Investment Trust (Minto)
- Morguard North American Residential Real Estate Investment Trust (Morguard)

We then review the REITs' public disclosures over a two-year period: January 2021 to December 2022. Our literature scan includes annual information forms; management's discussion and analysis; annual reports; environmental, social and governance (ESG)/sustainability reports; quarterly reports; investor presentations; and corporate codes of business ethics and conduct that were published and/or available online between January 1, 2021, and April 1, 2023.[iii]

iii See Appendix 1 for a list of the metrics we analyzed and Appendix 2 for the documents we screened.

Table 1: Canadian REIT assets and markets

	Boardwalk[10]		CAPREIT[11]		InterRent[12]		Killam[13]		Minto[14]		Morguard[15]		TOTAL
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2022
Number of residential suites	33,264	33,069	47,419	47,300	12,877	12,610	18,685	19,527	7,538	8,291	5,335	5,335	126,132
Markets (Provinces)	British Columbia, Alberta, Saskatchewan, Ontario, and Quebec		British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia, and Prince Edward Island		British Columbia, Ontario, and Quebec		British Columbia, Alberta, Prince Edward Island, Newfoundland and Labrador, Ontario, New Brunswick, and Nova Scotia		Alberta, Ontario, and Quebec		Alberta and Ontario		

We focus on REITs versus other housing investment vehicles for several reasons. First, REITs have evolved as significant players in the ecosystem. Although neither Statistics Canada nor the Canadian Mortgage Housing Corporation (CMHC) publicize data on the extent of institutional ownership of multifamily assets, academic Martine August calculates that REITs have grown from owning zero suites in 1996 to 10% of Canada's apartments by 2020.[16] The REITs included in this study owned a combined total of 126,132 rental suites in 2022 and the CMHC's Primary Rental Market Statistics for Canada in 2022 report a total of 2,190,598 private apartment units.[17] This data suggests that REIT ownership of the primary rental market is 6%.

Second, and importantly, REITs are publicly listed. As such, current and potential REIT investors – or unitholders – expect the level of transparency and disclosure that other publicly listed issuers provide on investment risks such as ESG factors. Third, REIT units are held by a wide range of institutional investors, from smaller funds to large public sector pension plans. The information contained in this report may therefore be useful to a large group of investors.

In November 2022, five of Canada's six largest residential REITs – CAPREIT, Boardwalk, Killam, InterRent and Minto – launched ForAffordable.ca, a campaign that seeks to contest and dispel some of the negative commentary related to REITs, addressing ESG factors such as affordability and security of tenure. They describe themselves as "the largest owners and managers of affordable market rentals in Canada" and are "dedicated to working with governments and civil society to address [the housing supply and affordability crisis] challenge."[18]

Who is this report for?

This document can be used by both REITs and their investors.

- **REITs** can refer to the metrics and disclosures as they work to develop and improve their ESG strategies, performance and reporting.
- **Investors in REITs** can refer to the metrics and disclosures to develop their approach to human rights due diligence and guide their assessment of how well the REITs in their portfolio are managing ESG risks.

01

Background

The right to housing as an investor issue

The right to adequate housing is a human right.[19] Investors have a responsibility to respect human rights in their operations and value chains under international norms and frameworks. The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the UN Global Compact articulate these responsibilities. Moreover, a growing number of institutional investors are orienting their investment allocations and processes toward the Sustainable Development Goals (SDGs), including SDG 11, which aims to ensure access for all to adequate, safe and affordable housing by 2030.[20]

In addition to having a responsibility to respect human rights, upholding the right to adequate housing can be a means for investors to generate positive impacts and sustainable long-term returns while mitigating societal and investment risks. In the multi-family housing market, specific practices are associated with human rights risks that can, in turn, contribute to reputational and regulatory risks for investors.

Some value-add and opportunistic investment strategies that REITs pursue entail acquiring older buildings with the intent of raising rents to increase investment income and capital appreciation. This may be achieved in several ways. In some cases, building owners, including REITs, may submit applications to provincial tenancy boards for "Above Guideline Increases" or other mechanisms to increase rents beyond jurisdictional rent increase limits for specific capital expenditures and operating costs and/or increase ancillary fees for tenants. In other cases, REITs replace existing tenants with incoming tenants who are able to pay more as units become vacant.

REITs can raise rents for new tenants when units turn over because there are few jurisdictions that limit rent increases between tenancies. In some cases, REITs simply raise rents for incoming tenants. In other cases, REITs will reposition the suite, making improvements and/or renovations to attract incoming tenants who are able to pay higher rents, which generates rental income and increases the value of the asset.

Institutional investors, including REITs, have been accused by tenants and tenant advocacy groups of neglecting buildings[21] and using tactics to encourage existing tenants to vacate their units, such as directly harassing and intimidating tenants[22] and "renovictions" – evicting tenants to renovate units.[23]

Tenant organizations, such as ACORN and Parkdale Organize, have targeted REITs in their campaigns, deploying tactics such as rent strikes and pickets outside company and investor offices.[24] These allegations contribute to reputational risks for REITs and their investors.

A number of REITs are now turning their attention to investing in new purpose-built rentals, capitalizing on government incentives, financing and other programs that incentivize and support construction. These raise distinct ESG issues, as rents in some new buildings have been criticized for being unaffordable and exacerbating the housing crisis.[25]

Taken together, these practices have raised reputational risks for REITs. Public pressure and media coverage have, in turn, led to regulatory risks for REITs as calls on governments to regulate financial actors in the housing market gain traction.[26] In Canada, regulatory risks extend beyond the current federal government's pledge to address the tax treatment of REITs and the financialization of housing into risks at the provincial and municipal levels, such as stronger rent control and zoning restrictions. Many of these risks are discussed in REITs' regulatory reporting.

As noted, five of Canada's six largest residential REITs launched ForAffordable.ca in November 2022. They argue that "changing the tax treatment of REITs would undermine affordable housing" by disincentivizing investment in residential supply.[27] The development of this initiative sheds light on the pressure REITs face to better manage human rights risks.

REITs and sustainability reporting

Although there are no specific requirements for mandatory sustainability reporting required by the Canadian Securities Administrators, many mid- and large-cap companies voluntarily disclose ESG metrics through their ESG and sustainability reports. Internationally, there is a move across jurisdictions to require companies to undertake mandatory human rights due diligence, such as the French *Corporate Duty of Vigilance Law*, the adoption of laws in Germany and Norway and a proposal for an EU-wide law.[28]

Most REITs report voluntarily on ESG metrics, often in alignment with international standards and frameworks. As seen in Table 2, in 2021, the REITs we analyze report using three different standards: the Global Reporting Initiative (GRI), the Global Real Estate Sustainability Benchmark (GRESB) and the Sustainability Accounting Standards Board (SASB), which has merged with the International Sustainability Standards Board (ISSB). The GRI is impact focused and aligned with human rights standards. The GRESB is weighted heavily to ESG performance in the real estate and infrastructure sector. The ISSB, like the SASB, will guide the disclosure of sustainability information and risks deemed financially material by companies to their investors. Importantly, none of these reporting standards ask companies to provide the type and depth of performance data that would enable investors to mitigate risks related to the right to adequate housing.

It follows that REIT sustainability disclosures tend to focus on environmental metrics, including climate change, greenhouse gas emission targets, energy management, water management and waste management. Among the REITs we studied, only Killam mentions residents' well-being in its GRI reporting, which includes commitments regarding residents' health and safety.[29]

Table 2: Reporting standards and frameworks adopted by REITs[30]

	Boardwalk	CAPREIT	InterRent	Killam	Minto	Morguard
GRI	✓ Yes	✓ Yes	✓ Yes	✓ Yes	✓ Yes	✓ Yes
GRESB	✓ Yes	✓ Yes	✓ Yes	✓ Yes	✓ Yes	✗ No
SASB	✓ Yes	✗ No	✓ Yes	✗ No	✓ Yes	✗ No
SDGs	✓ Yes	✓ Yes	✗ No	✓ Yes	✓ Yes	✗ No
Commitment to human rights	✗ No	✗ No	✗ No	✗ No	✗ No	✓ Yes

Recommended disclosures

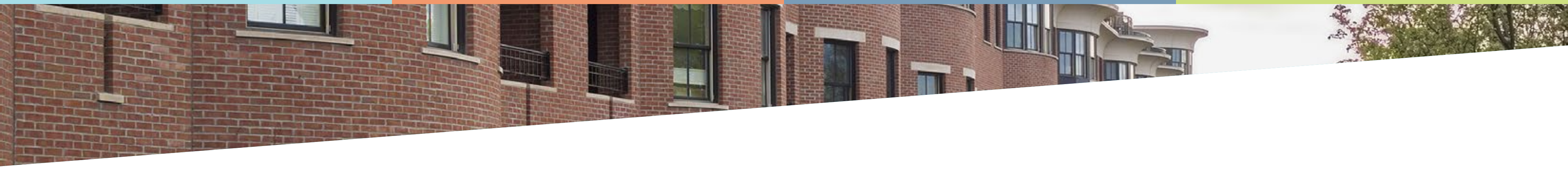
The Office of the United Nations High Commissioner for Human Rights outlines a set of conditions that are necessary for housing to be adequate.[31] The Shift Directives: From Financialized to Human Rights-Based Housing identifies a subset of these conditions most relevant in the context of the financialization of housing.

These include three interrelated criteria that we have determined are most applicable to the Canadian market and integral to investors' human rights due diligence in this asset class:

1. **Affordability:** Housing is inadequate if its cost threatens or compromises the occupants' enjoyment of other human rights. In Canada, the Canada Mortgage and Housing Corporation (CMHC) defines affordability as housing that costs less than 30% of a household's before-tax income based on local demographic data.[iv]
2. **Security of tenure:** Housing is inadequate if its occupants do not have a degree of tenure security that guarantees legal protection against forced evictions, harassment and other threats.
3. **Habitability:** Housing is inadequate if it does not guarantee physical safety or provide adequate space, as well as protection against cold, dampness, heat, rain, wind, other threats to health and structural hazards.[32]

Security of tenure and habitability are strongly related to affordability because landlords are able to raise rents at their discretion in most jurisdictions in Canada for new tenants when previous tenants leave.

iv The appropriate demographic data set used to benchmark affordability is an area of discussion. SHARE will be producing a guidance document for investors on this topic in 2023.



This report identifies key metrics and accompanying disclosures associated with affordability, security of tenure and habitability. For every section, we provide a general principle for investors seeking to align their housing portfolio with human rights. These principles are being further developed through a consultation process with multiple stakeholders.

Only two of the six REITs we analyzed make an overall commitment respecting the human rights of their tenants in the documents we reviewed. Morguard refers to human rights in its sustainability report, acknowledging that "we provide an essential human right as part of our residential properties – access to shelter."[33] CAPREIT's Code of Business Ethics and Conduct discusses its commitment to human rights and its duty to provide safe housing to residents.[34]

a) Affordability

Criterion: Housing is inadequate if its cost threatens or compromises the occupants' enjoyment of other human rights.[35] In Canada, the CMHC considers housing affordable when it costs less than 30% of a household's before-tax income,[36] based on local demographic data.[37]

Principle: To uphold the right to housing in their portfolios, investors should make a commitment to affordable housing, establish clear and progressive affordability targets for the assets in their portfolio, establish rent increase caps when required to meet targets and monitor their progress.

Recommended disclosure: Average monthly rents and renters' household incomes

Rents generate value for a REIT's investors over the long term, providing a steady source of income and a hedge against risks associated with economic cycles. A REIT's investors must understand how rents in their portfolios compare to the incomes of renters in a given market to assess affordability, set targets and monitor their progress. To do so, investors must be able to access data that shows how much the average suite rents for and how affordable these rents are. The data should allow for comparative analysis across the sector.

There are two considerations. First, average rents must be calculated based on a standard unit of measurement to be comparable. All REITs we analyze disclose average monthly rents across their residential portfolio (Table 3), but only Killam, CAPREIT and Minto disclose average rents per square foot. General data on average monthly rents does not differentiate between suites of different sizes, which makes it difficult to analyze and compare rents across companies.

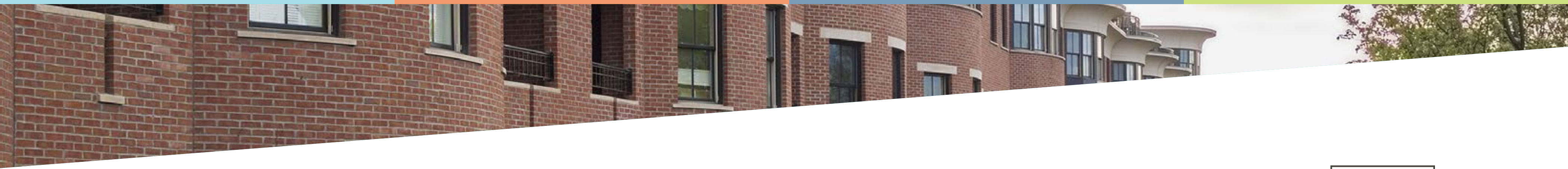


Table 3: Affordability[38]

	Boardwalk		CAPREIT		InterRent		Killam[v,39]		Minto		Morguard	
	2021[40]	2022[41]	2021[42]	2022[43]	2021[44]	2022[45]	2021[46]	2022[47]	2021[48]	2022[49]	2021[50]	2022[51]
Average monthly rent ($)	1,153	1,246	1,319	1,386	1,381	1,479	1,227	1,289	1,641	1,732	1,535	1,588
Average rent increase 2021–2022		8%		5.1%		7.1%		5.1%		5.5%		3.5%
Occupancy	95.6%	96.8%	98.6%	98.9%	95.6%	96.8%	96.6%	97.3%	95.4%	97.6%	93.6%	98.6%
Weighted average gross rent per square foot ($)			1.65	1.7			1.44	1.44	1.95	2.09		

Second, investors need to analyze rents against an accurate and realistic measure of affordability. What qualifies as "affordable" is contentious and debated. Some governments, investors and housing developers define affordability as a percentage of the average local market rents. These market-based definitions are problematic because market rents are unaffordable to many renters.[52] According to the most recent Canadian Housing Statistics Program data (2019 and 2020) compiled by Statistics Canada, urban homeowners have double the income of renters.[53] Therefore, we see renter income-based benchmarks as a more accurate way to assess whether suites are affordable to renters.

The ForAffordable.ca campaign, which is an initiative of five of the six REITs we analyze, also cites 30% of median renter incomes as its measure of affordable rates. The website states that more than half (52.7%) of the 120,000 suites owned by the participating REITs are rented at less than 30% of median renters' incomes.[54] Yet only three REITs disclose any comparison of their average monthly rents with incomes to their investors: CAPREIT, Boardwalk and Killam.

v Killam lists rent as $1.44 per square foot across its portfolio (versus citing a weighted average).

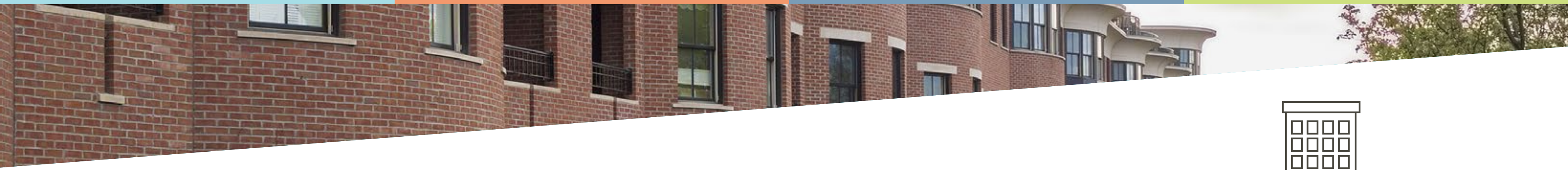


Table 4: CAPREIT's annualized average monthly rents versus median renters' incomes

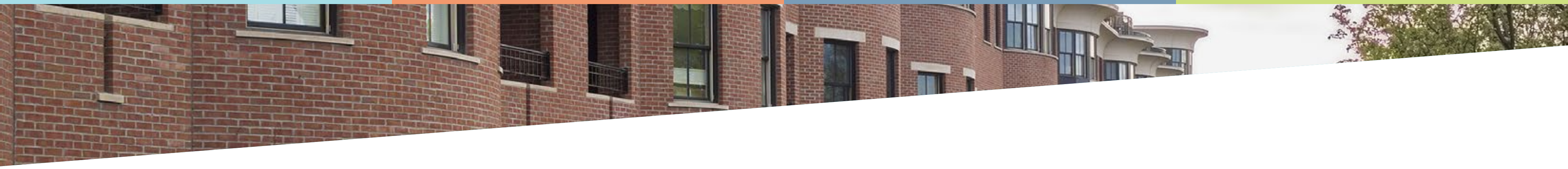
	Data presented by CAPREIT[55]			Our calculations based on 2020 Statistics Canada data[56]			
	Average monthly rent annualized (2022)	Median **family** income (2020)[57]	Average rent as a percentage of median **family** income[58]	Median **renter** income	Average rent as a percentage of median **renter** income (one income)	Median **two-renter** income (two incomes)	Average rent as a percentage of **two-renter** median household incomes
Greater Toronto Area	$18,948	$96,700	20%	$25,000	76%	$50,000	38%
Greater Vancouver	$18,420	$98,640	19%	$25,000	74%	$50,000	37%

Note: Green indicates rents below the 30% income threshold and orange represents rents above the 30% income threshold.

CAPREIT states that "nearly half of [its] Canadian portfolio meets the CMHC's definition of affordability."[59] In one quarterly call, it compared its 2022 annualized average monthly rents to Statistics Canada's 2020 census data on *median family incomes* for census metropolitan areas (CMAs) in three of its seven markets – the Greater Toronto Area, Greater Montreal and Greater Vancouver (Table 4).[60] The data set that CAPREIT used combines homeowners and renter incomes, which suggests that its rents fall under the 30% affordability threshold.

However, Statistics Canada provides segregated data for *renter median incomes* and *homeowner median incomes* for the 2020 tax year for the Toronto and Vancouver CMAs. When we analyzed CAPREIT's average rents against this median renter income data, we found that its 2021 rents for Toronto and Vancouver would consume 76% and 74%, respectively, of a single renter's income.[vi] In Toronto, for example, a renter would be paying $1,579 in rent from a monthly median income of $2,083, leaving $504.33 for other expenses. In Vancouver, a household would have $548.33 remaining for all other expenses. If we assume that the average rents that CAPREIT provides are for family rental units and that there are two renters in every household earning the 2020 Statistics Canada median renter incomes, rents would still consume 38% of the household's income in Toronto and 37% of the household's income in Vancouver.

vi Note that data for the Montreal CMA is not available in the Statistics Canada note we use in our analysis.. Statistics Canada. (2022). Chart *5: Homeowners Have Around Double the Income of Renters in Selected CMAs and CAs*. https://www150.statcan.gc.ca/n1/daily-quotidien/220412/cg-a005-eng.htm. Note: data is from the 2020 tax year.

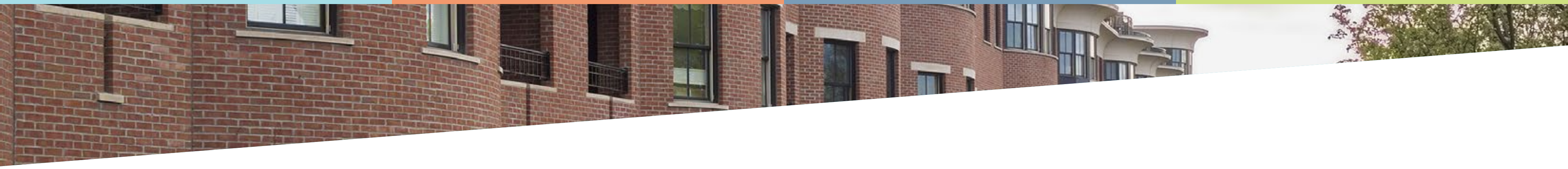


Similarly, Killam measures affordability as 30% of median *household* income and reported, in 2022, that 64% of its suites were at or below 30% of the local market's median household income.[61] In March 2023, it compared its average monthly rents to median household incomes in several municipalities.[62] The Statistics Canada segregated data set provides median renter incomes for 2020 for two of the CMAs listed in Killam's report: Halifax and St. John's.[63] In both CMAs, average rents were higher than 30% of median renter incomes (Table 5). When we perform the same exercise as with CAPREIT and double renter incomes, rents are close to the affordability threshold in Halifax and below the threshold in St. John's.

Table 5: Killam average rents as a percentage of median household and average renter incomes

	Data presented by Killam (2022)		**Our calculations based on 2020 Statistics Canada data[64]**			
	Average monthly rent annualized (2022)[65]	Average rent as a percentage of median **household** income (n.d.)[66]	Median **renter** income	Average rent as a percentage of median **renter** income (one income)	Median **two-renter** income (two incomes)	Average monthly rent as a percentage of **two-renter** median household incomes
Halifax	$15,384	20%	$25,000	62%	$50,000	31%
St. John's	$13,236	15%	$25,000	53%	$50,000	26%

Note: Green indicates rents below the 30% income threshold and orange represents rents above the 30% income threshold.



Boardwalk provides an example of more comprehensive disclosures. It compared its average occupied rents to Statistics Canada data on median renter household incomes in 2018 and 2019 in regular investor reports (Table 6).[67] This provides investors with a clearer understanding of how Boardwalk's rents sit in relation to the 30% affordability threshold. Although Boardwalk exceeds the affordability threshold in five of its eight municipalities, its portfolio average, at 31% of renter median incomes, is close to the mark.

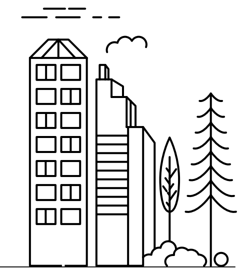


Table 6: Boardwalk average occupied rents as a percentage of median renter household income (2018–2019 and 2022)

	Edmonton	Calgary	Saskatoon	Regina	London	Kitchener	Montreal	Quebec	Average
2018[68]	20%	21%	27%	23%	27%	21%	30%	28%	25%
2019[69]	22%	24%	36%	34%	34%	30%	33%	34%	31%
2022[70]	22%	25%	37%	36%	34%	29%	33%	35%	31%

Note: Green indicates rents below the 30% income threshold and orange represents rents above the 30% income threshold.

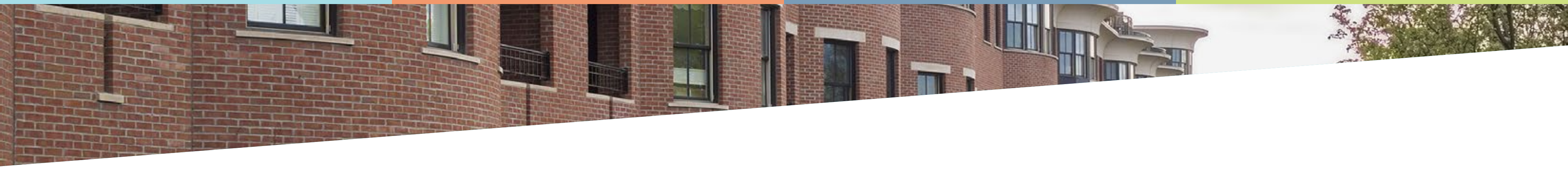
Summary: Average monthly rents per square foot against renters' household incomes

Do REITs provide their investors with sufficient disclosures?

Mixed. CAPREIT and Killam disclose data that enables a partial assessment. Boardwalk provides more comprehensive data.

How do Canadian REITs perform?

On average, CAPREIT and Killam's rents would not be affordable for a single-income or double-income renter household earning the 2020 median renter income. Boardwalk's disclosures suggest that its rents are closer to the 30% affordability threshold. The other REITs do not provide sufficient data in their disclosures to investors.



Recommended disclosure: Rent increases in turned-over suites

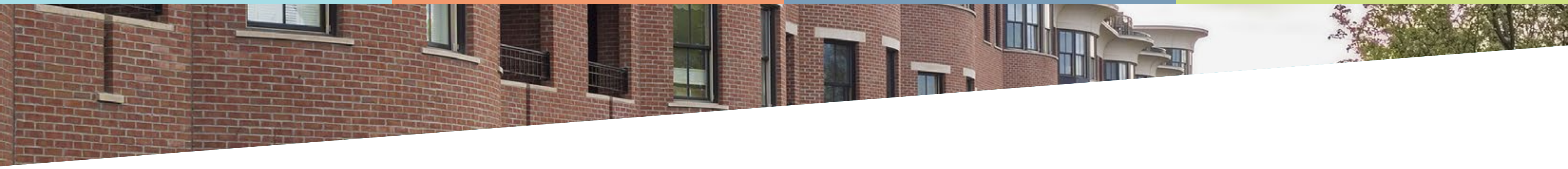
In rent-controlled jurisdictions, landlords must respect annual maximum rent increases set by provincial and territorial governments for suites in which tenants renew their leases. With some exceptions in certain municipalities, most jurisdictions in Canada allow landlords to increase rents at their discretion between tenancies when an incoming tenant signs a new lease (Table 7). REITs have faced criticism for taking advantage of rent control deregulation, known as “vacancy decontrol,” and raising rents excessively between tenancies when suites “turn over.”[71]

Table 7: 2021–2022 Allowable rent increases for continued tenancies/renewed leases in rent-controlled jurisdictions

	British Columbia[72]	Manitoba[73]	Quebec[74]	Ontario[75]	Prince Edward Island[76]	Yukon[77]
2021	0%	1.6%	1.4% for unheated dwellings, 1.2% if heated by electricity, 0.1% if heated by gas and −2.4% if heated by oil	0%	1%	1%
2022	1.5%	0%	1.28% for unheated dwellings 1.34% if heated by electricity, 1.91% if heated by gas and 3.73% if heated by oil	1.2%	1%	3.3%

The turnover rate is a key metric for REIT investors. It refers to the number of suites residents vacated in a given year divided by the total of rented units in the building.[78] Investors look at turnover rates because they are a metric related to a REIT’s revenue, alongside ratios such as “loss to lease,” which represents the difference between estimated market rents for new leases and actual occupied rents. Complementary data on average rent increases in turned-over suites also provide investors with essential information on human rights risks related to affordability.

Boardwalk and InterRent are the only REITs that do not disclose their turnover rates and rent increases for new leases in turned-over suites (Table 8). Rents on new leases in turned-over suites rose dramatically in 2022, following the lifting of most COVID-19-related restrictions, with



all four reporting REITs averaging a 13% increase. Of the four REITs that disclose data, CAPREIT raised its rents the most, with incoming tenants paying 14.5% more than previous residents. In Toronto, for example, a new tenant paying 14.5% more than CAPREIT's average monthly 2022 rent would find themselves paying $1,807.96. If they earn the Statistics Canada average median renter income, they would be left with $275.37 for other expenses.

Only two REITs aggregate rent increases for both lease renewals and turnovers: CAPREIT and Killam. In both cases, the difference is dramatic, with new tenants paying an average of over 10% more than renewing tenants.

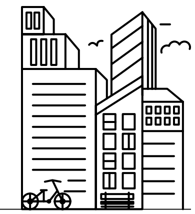


Table 8: Turnover rates and changes in monthly rent in turned-over suites

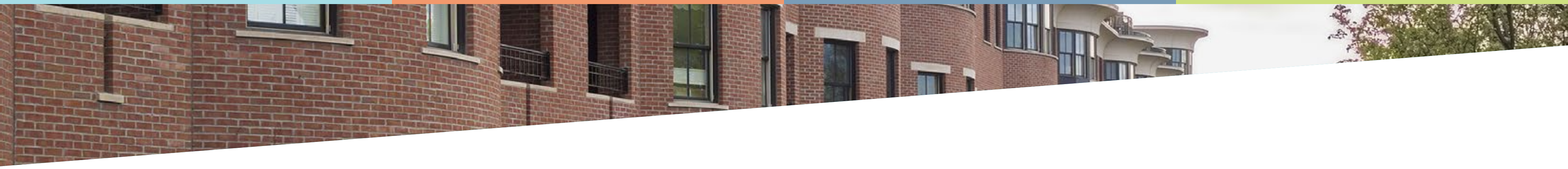
	Boardwalk		CAPREIT[vii]		InterRent		Killam[viii]		Minto		Morguard[ix]	
	2021[79]	2022[80]	2021[81]	2022[82]	2021[83]	2022[84]	2021[85]	2022[86]	2021[87]	2022[88]	2021[89]	2022[90]
Turnover rates			21.8%[x]	16.4%			22.4%	21.8%		23.7%	14.9%	19%
Change in monthly rent in turned-over suites			5.9%	14.5%			5%	10%	5.4%	13.9%	12.3%	13.7%
Change in monthly rent – lease renewals			1.4%	1.70%			1.5%	1.80%				
Average rent increase 2021–2022	1.9%	8 %	2.9%	5.1%	5.0%	7.1%	3.6%	5.1%	1.1%	5.5%	2.3%	3.5%

vii Canadian portfolio only. CAPREIT. (2022). 2021 Annual Report. https://s25.q4cdn.com/722916301/files/doc_financials/2021/ar/2021-Annual-Report.pdf

viii Minto reports on realized gain to lease, which refers to the gap between rents achieved on new leases as compared to expiring leases. We consider this to be equivalent to the change in monthly rents in turned-over suites. See: Minto. (2022). *2021 Annual Report* (pp. 5–6). https://www.sedar.com/GetFile.do?lang=EN&docClass=2&issuerNo=00045253&issuerType=03&projectNo=03348121&docId=5150412; Minto. (2023). *2022 Management's Discussion and Analysis* (p. 6). https://www.sedar.com/GetFile.do?lang=EN&docClass=7&issuerNo=00045253&issuerType=03&projectNo=03501189&docId=5373372

ix Morguard reports that average monthly rents increased by 2.3% across its Canadian portfolio. Morguard. (2022). *2021 Annual Report* (p. 15). https://www.morguard.com/Documents/Morguard%20Corporation/Shareholder%20Information/MRC_2021_AR.pdf

x Refers to suites turned over in the Canadian portfolio, *excluding* co-ownerships.



Summary: Rent increases in turned-over suites

Do REITs provide their investors with sufficient disclosures?	
	Mixed. Boardwalk and InterRent do not provide enough data.
How do Canadian REITs perform?	
	The data is concerning. In 2022, new tenants paid an average of 13% more in rent than previous tenants.

REITs and rent control

Some REITs advocate against rent control for lease renewals. Boardwalk, which operates in provinces without rent control, has an online publication that argues that it is "price limiting mechanisms" that hinder "the balancing effects of traditional supply and demand drivers."[91] CAPREIT chief executive officer Mark Kenney told the *Financial Post* that rent controls discourage investment.[92]

Recommended disclosure: Rent increases in repositioned suites

Repositioned suites are units that are renovated or upgraded between tenancies and subsequently leased out at a higher rent. Sometimes suites must be repaired, renovated or upgraded between tenancies to ensure safety and proper maintenance. Yet because a renovated unit can be rented for more, repositioning is also a vehicle to improve an asset's long-term cash flow–generating potential. Some repositions will entail significant upgrades between tenancies and others will feature "enhanced turnovers" or renovations with minor cosmetic upgrades geared at rent increases. REITs may also make upgrades in common areas, such as lobbies, in buildings that are slated for suite repositioning. For example, Killam writes in its annual report that it focuses on "completing unit renovations and repositioning to maximize revenue on unit turnover."[93] Boardwalk, when discussing why it is allocating more capital to its brand and suite repositioning program, tells investors that it "believes that these renovations will achieve future rent adjustments in excess of market rents."[94]

Repositioning is important because it is related to rising rents across markets and renovictions. On the ForAffordable.ca campaign site, CAPREIT, Boardwalk, Killam, InterRent and Minto claim that they do not do renovictions and uphold "the high standards of equity, transparency and accountability."[95] In its annual report, Killam indicates that it "only upgrades suites that are vacant and [does] not engage in any programs to influence suite turnovers through aggressive rent hikes or incentive offerings."[96]

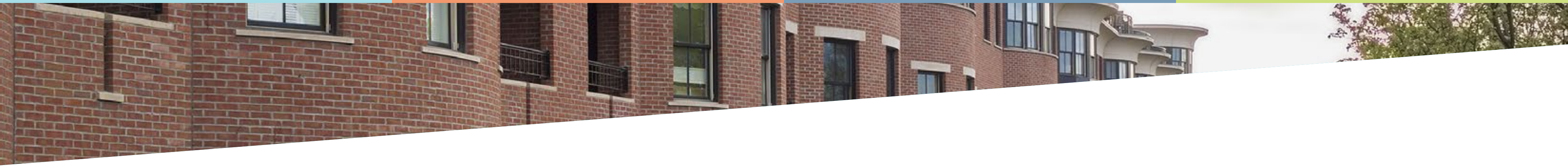
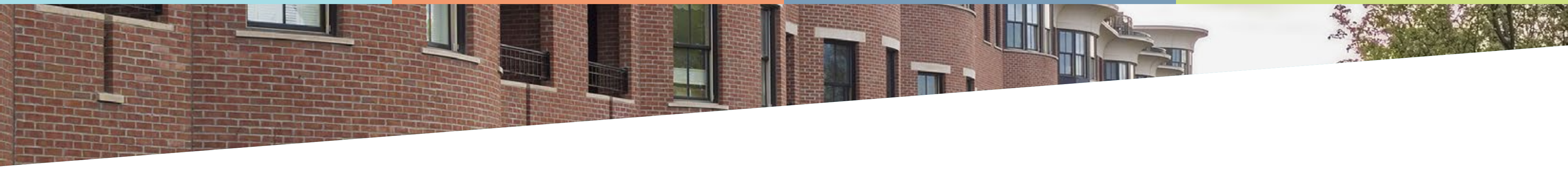


Table 9: Repositioning rates[97]

	Boardwalk		CAPREIT		InterRent		Killam		Minto		Morguard	
	2021[98]	2022	2021	2022	2021[99]	2022[100]	2021[101]	2022[102]	2021[103]	2022[104]	2021	2022
Residential suites	33,264	33,069	47,419	47,300	12,877	12,610	18,685	19,527	7,538	8,291	5,335	5,335
Number of suites repositioned	1,790	2,582[xi]					551	617	367	259		
Percentage of suites repositioned[xii]	5%[xiii]	8%[xiv]					3%[xv]	3%[xvi]	5%	3%		
Change in monthly rent in suites during reporting period							29%		23%[xvii]	25%[xviii]		
Cumulative portfolio repositioning	29%				67%	71%			69%	64%		

xi Author's calculation based on the dates of renovations listed in Boardwalk's 2022 annual information form (pp. 28–32).
xii Authors' calculation based on REITs' annual reports and annual information forms unless otherwise noted.
xiii Authors' calculation.
xiv Authors' calculation.
xv Authors' calculation.
xvi Authors' calculation.
xvii Authors' calculation based on average monthly expiring rent per suite ($1,629) and average annual rental increase per suite ($4,465). See: Minto. (2022). *2021 Annual Report* (p. 5 and p. 8). https://www.sedar.com/GetFile.do?lang=EN&docClass=2&issuerNo=00045253&issuerType=03&projectNo=03348121&docId=5150412
xviii Authors' calculation based on average monthly expiring rent per suite ($1,652) and average annual rental increase per suite ($4,905) in repositioned suites. See: Minto. (2023). *2022 Annual Report* (p. 6 and p. 8). https://www.sedar.com/GetFile.do?lang=EN&docClass=2&issuerNo=00045253&issuerType=03&projectNo=03502030&docId=5374876



Three of the six REITs we analyzed provide information on either the number or percentage of repositioned suites and/or the rents in repositioned suites in 2021 and 2022. Since the process whereby a building undergoes suite repositioning occurs over many years as tenants vacate units, some REITs provide cumulative data to show how many suites have been renovated since acquisition. Boardwalk, for instance, has cumulatively renovated 45% of common areas and 29% of suites, which we assume is a process that it has tracked since 2015.[105] InterRent had repositioned 66.9% of its overall portfolio by December 2021 and 70.98% by 2022.[106]

REITs present investors with targeted returns on investment for repositioned suites, which tend to sit at 8% to 13%, providing some insight into rental income.[107] Killam, however, is the only REIT to provide a clear figure on rent increases in repositioned units: it reported in 2021 that repositioned suites[xix] rented at 29.2% more than non-repositioned suites, generating a return on investment of 13%.[108] In 2022, it did not report on rents in repositioned suites but stated that they earned a rental growth of 10%–40%.[109]

We were able to estimate rent increases in suites that were repositioned during the two years we analyzed based on disclosures for Minto,[xx] which we calculated at 25% in 2022, generating a return of 9.1% on invested capital.[110] Minto reports that its expiring average monthly rents in Toronto in 2022 were $2,118.[111]

An increase of 25% would be $2,648, which would leave a renter earning the median income in Toronto with $564 for other expenses.[112]

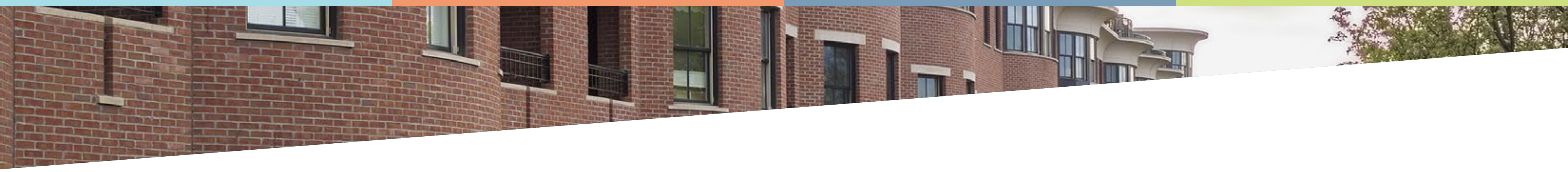
InterRent considers repositioned properties as those it owned prior to January 1, 2019 – a definition that includes 71% of its total portfolio. Based on this criterion, when we calculated InterRent's rent increases based on average rents for repositioned and non-repositioned suites, the increase is modest, at 8% for 2021[xxi] and 1% for 2022.[xxii] Yet the gross rental revenue for InterRent's repositioned property portfolio for 2022 was $156,595,000 versus $59,963,00 for its non-repositioned revenue.[113]

xix Killam considers a unit repositioned if upgrades made cost more than $10,000.

xx Minto identifies repositioned suites as those that entail full-scale suite renovations at strategically targeted properties or geographic locations

xxi Authors' calculation based on reported average rent for repositioned suites in December 2021 ($1,416) and average rent for non-repositioned suites ($1,319). See: InterRent. (2022). *2021 Q4 Management's Discussion and Analysis* (p. 22).

xxii Authors' calculation based on reported average rent for repositioned suites in December 2022 ($1,468) and average rent for non-repositioned suites ($1,483). See: InterRent. (2023). *2022 Q4 Management's Discussion and Analysis* (p. 20).



Summary: Rent increases in repositioned suites

Do REITs provide their investors with sufficient disclosures?	
✗	**No.** Only Killam provides sufficient data, with Minto and InterRent providing enough information to estimate rents in repositioned suites.
How do Canadian REITs perform?	
?	Insufficient data is concerning, as this is the type of tenancy change that results in the greatest rent increases. If Killam and Minto were to reflect the sector, new tenants in repositioned suites would be paying 25%–29% more to rent a suite.

Recommended disclosure: Rents in affordable housing portfolio

We make a distinction between "housing affordability," which we use to refer to the overall affordability of a REIT's portfolio, and "affordable housing," which we use to refer to specific brands, assets or portfolio segments that REITs describe as renting at affordable rates. The Government of Canada provides loans and favourable financing to build and renovate affordable housing. Some programs, such as the Rental Construction Financing Initiative, have been criticized for facilitating the construction of housing that is unaffordable for renters.[114] Provincial and municipal governments also offer programs and incentives to encourage investment in rental housing.

To manage reputational risks, investors need clear information on rents in a REIT's affordable housing portfolio, complemented by information on how REITs define "affordable housing" and what kind of government support is facilitating the expansion of their portfolio.

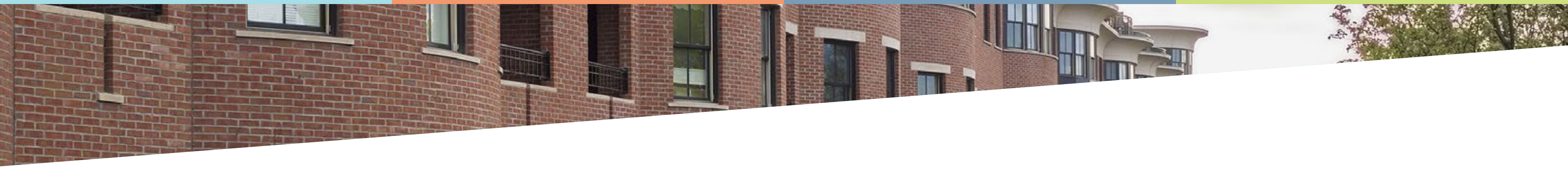
Three of the six REITs we analyze describe specific assets or portfolio segments that offer "affordable housing" in their portfolio. None provide specific information on the rents for these assets.

Boardwalk reports on collaborating with affordable housing agencies. It owns buildings in jurisdictions with no provincial rent control and has "self-imposed rent protection" for lease renewals, but it does not provide any quantifying information.[115]

Killam discloses its access to CMHC financing linked to the provision of affordable housing.[116] It reports that it increased its affordable housing suites by 14% and added 108 affordable suites to its portfolio in 2021, for a total of 848 affordable suites subsidized through community and government partnerships.[117] In 2022, Killam provided temporary housing and $140,000 in rent relief to Ukrainian refugees.[118]

Minto reports its participation in a project that resulted in the development of 139 affordable seniors' rental suites. It signed a contribution agreement with the City of Toronto to construct 100 affordable rental suites in exchange for relief from development charges and other fees.[119] It plans to add 100 affordable suites to its portfolio by 2026.[120]

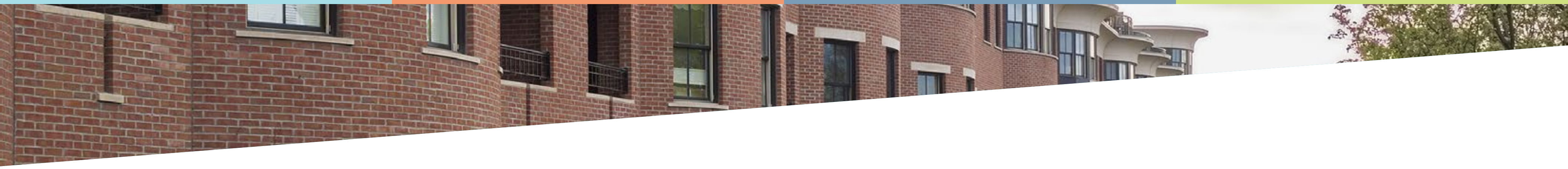
The six analyzed REITs have mortgages insured by the CMHC, which allows them to access loans to acquire rental suites at lower interest rates.[121]



Summary: Rents in affordable housing portfolio

Do REITs provide their investors with sufficient disclosures?	
	Mixed. Boardwalk, Killam and Minto provide some information on their programs, but not on rents.
How do Canadian REITs perform?	
	Insufficient data.

In conclusion, REITs provide some data in their public disclosures on affordability, but it is incomplete and difficult to compare across companies. With the notable exception of Boardwalk, the case studies that REITs present on rents and incomes raise questions regarding affordability. The data we were able to access suggest that investment strategies that capitalize on tenant turnover and subsequent suite renovations to increase rents are a detriment to affordability with potential adverse human rights impacts. As more REITs turn their attention to building new affordable housing, more disclosure on rents in new builds will be helpful to investors looking to understand their impact and manage reputational risks.



b) Security of tenure

Criterion: Housing is inadequate if its occupants do not have a degree of tenure security that guarantees legal protection against forced evictions, harassment and other threats.[122] There is a human rights obligation to prevent any eviction resulting in homelessness.[123]

Principle: Investors should undertake human rights due diligence assessments of real estate investment strategies and make a policy commitment to ensure security of tenure in good faith. Investors' due diligence processes should support the provision of access to remedy for tenants that are evicted to renovate suites, as well as access to accommodations and supports if tenants are evicted due to non-payment of rent.[xxiii]

In the five years leading up to 2021, 2.1% of Canadian households were subject to a forced move by a landlord, a bank, another financial institution or the government.[124] The percentage is higher in British Columbia (3.6%).[125]

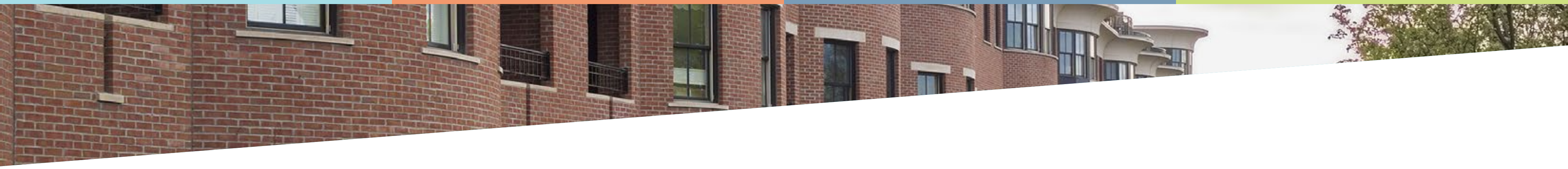
Recommended disclosure: Eviction rates

Because REITs generate greater returns through rent increases when units turn over, transparent data on evictions is important to investor human rights due diligence.[126]

There is no straightforward way to access evictions data in most jurisdictions. A 2019 *Globe and Mail* investigation examined data on 500,000 evictions from the Ontario Landlord and Tenant Board that it accessed through sheriffs' orders, tracing "staggeringly high eviction numbers" to buildings owned by financialized landlords, including a subsidiary of CAPREIT. Sheriff-executed evictions cleared over 20% of all units in one CAPREIT-owned building alone between 2012 and 2016. The investigation concluded that the "increasingly corporatized rental housing market … thrives on maximum unit turnover by any means necessary."[127]

ACORN Canada filed a freedom of information request for data on evictions for non-payment of rent in Ontario in 2020 when the government, declaring a state of emergency due to the pandemic, had enacted a ban on evictions for non-payment of rent and/or utilities. It calculated that CAPREIT had filed almost 500 applications for evictions throughout the ban.[128] During this same period, Toronto tenants facing

xxiii The OECD recommends that investors carry out due diligence in line with the OECD Guidelines for Multinational Enterprises, with an expectation that minority shareholders use their leverage to encourage investee companies to prevent or mitigate adverse effects. This includes providing remedy and/or grievance mechanisms. As such, an investor with a minority shareholding in a REIT would be expected to use its leverage. See: OECD. (2017). *Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises.* https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf



evictions performed a sit-in protest at CAPREIT's office, refusing to leave until eviction notices were withdrawn and rent relief was offered by the company.[129]

The REITs participating in ForAffordable.ca, however, state that "evictions are a last resort for residential REITs" and that they "always work with [their] tenants to make a plan, and do everything [they] can to avoid an eviction."[130]

Given the different narratives and reputational risks, evictions data is key for investors who are seeking to understand the risks associated with certain investment strategies. None of the six analyzed REITs disclose any information to investors regarding eviction rates across assets or any related data, such as the number of evictions contested by tenants at residential tenancy boards and the percentage of those that were resolved in the tenants' favour. Furthermore, none of the REITs report on any evictions related to the demolition of buildings for new developments.

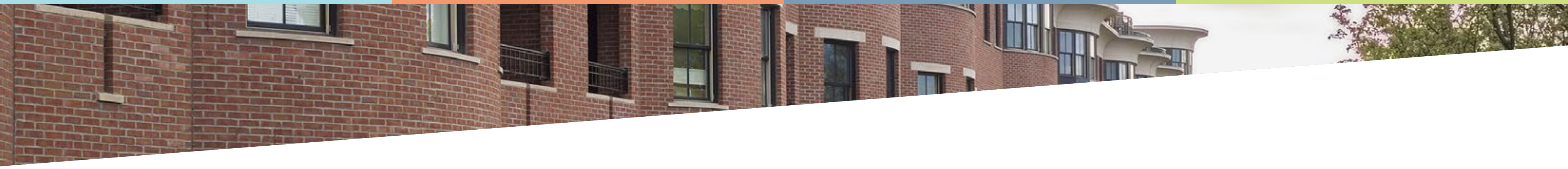
Zero-eviction programs

During the COVID-19 pandemic, with provinces introducing rent freeze policies and eviction bans, all six REITs implemented rent deferral or rental assistance programs (Table 10). CAPREIT created a "Compassionate Care" program to help residents with rent payments, while Minto and Morguard offered rental deferral programs. As of February 2022, approximately 0.8% of residential tenants at Morguard buildings subscribed to deferred payment plans.[131] InterRent reported rental deferral agreements with 0.5% of its residential residents in June 2021.[132]

It is unclear how many of these programs are ongoing, with the exception of Boardwalk. Boardwalk allocates $150,000 per year to an internally mandated, self-regulated rent assistance program, which promises rental forgiveness, a reduction in rental increases and/or a rental subsidy for eligible residents who can prove financial hardship. It provided $225 million in "discounts" to "resident members" between 2016 and 2021.[133]

Table 10: Zero-eviction programs and rental deferral programs during the COVID-19 pandemic

	CAPREIT	Boardwalk	Killam	InterRent	Minto	Morguard
Zero-eviction programs	Yes[134]	Yes[135]	Yes[136]	No information found	Yes[137]	Unconfirmed
Rent deferral programs	Yes[138]	Yes[139]	Yes[140]	Yes	Yes[141]	Yes[142]



Summary: Eviction rates

Do REITs provide their investors with sufficient disclosures?	
✗	No REITs provide any data.
How do Canadian REITs perform?	
?	Insufficient data.

c) Habitability

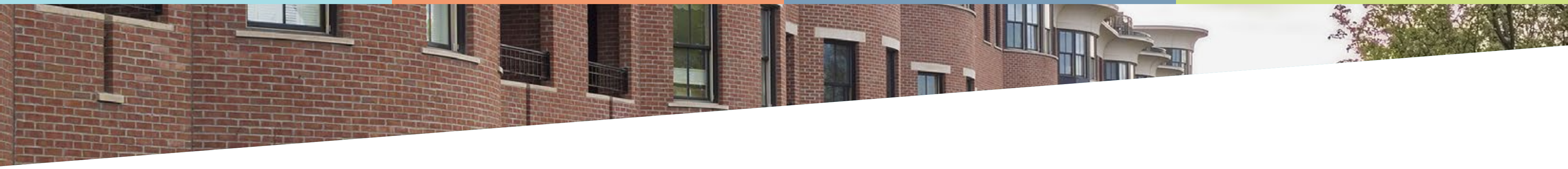
Criterion: Housing is not adequate if it does not guarantee physical safety or provide adequate space, as well as protection against cold, dampness, heat, rain, wind, other threats to health and structural hazards.[143]

Principle: To uphold the right to housing in their portfolios, investors should commit to properly maintain assets throughout their ownership, address tenant concerns regarding maintenance in a timely manner and adequately provide for capital expenditures for the maintenance of suites within a rental pricing framework that does not lead to economic evictions or permanent displacement of tenants.

Recommended disclosure: Rent increases above provincial/territorial guidelines and limits

Buildings require capital for maintenance, and REITs provide details on their capital investment strategy in their reporting. Some REITs classify and disclose their capital investment in two categories: non-discretionary, which includes investments essential to a property's structural integrity and resident safety, and discretionary, which are investments that can increase revenues and reduce costs. As noted previously, institutional investors such as REITs have faced allegations of, on one hand, investing in improvements to assets geared at improving marketability to drive up rents and, on the other hand, allowing buildings to deteriorate into disrepair.[144]

It is important for REITs to invest sufficient capital for non-discretionary investments that maintain buildings to a standard that upholds the human right to adequate housing. There is significant debate, however, around the extent to which the cost of these upgrades should be externalized and paid by tenants.[145] In rent-controlled jurisdictions, such as Ontario, Manitoba and BC, landlords can impose rent increases on tenants that exceed annual provincial/territorial rent increases (such



as above guideline rent increases [AGIs] and additional rent increases [ARIs]) when they make eligible capital expenditures, which generally include repair and replacement costs necessary to keep their property in compliance with health, safety and housing standards. These rent increase exceptions were devised to encourage landlords to maintain buildings. To increase the rent above the guidelines proposed by a province or territory, landlords must file an application with the specific government department. Tenants can refute an application and dispute a resolution.[146]

AGIs and ARIs have been the subject of negative media reports, rent strikes and protests because they can dramatically increase the rents paid by tenants throughout their tenancies.[147] A CBC News review of statistics released by Ontario's Landlord and Tenant Board suggested that "landlords have increasingly been turning to the board to hike rents, despite the October 2020 legislation passed by the Ford government to freeze rents for most tenants that year."[148] One study by RenovictionsTO found that 80% of purpose-built rentals in Toronto were impacted by AGIs between 2012 to 2019, with financialized and corporate landlords accounting for 64% of all AGI applications. The same study calculated the cumulative financial impact of AGIs on tenants, finding that they can result in rent increases totalling thousands of dollars more per year.[149]

Some REITs are explicit in their disclosures about how they use above guideline increases to generate more rental income. Morguard, for instance, in its 2021 management's discussion and analysis, notes:

> *"The 2021 Ontario rent freeze impacted rental increases; however, the REIT can apply for an above-guideline increase ('AGI') relating to eligible capital repairs and security services. Currently, the REIT has AGIs at eight Ontario properties providing additional rent increases for a twelve-month period commencing at various effective dates in 2021, ranging from 0.50% to 2.00%. Although the rental market has softened, the REIT still has the ability to increase rents on turnover and through above-guideline applications."*[150]

As AGIs and ARIs generate specific reputational risks and are deeply related to housing affordability, investors require information that allows them to understand the rationale behind and the extent to which they are imposed on tenants. Yet of the six analyzed REITs, only CAPREIT disclosed information on the status of cumulative AGI applications (settled and outstanding) in 2021, when it applied for 8,902 AGIs (1,023 settled and 7,879 outstanding) in Ontario and British Columbia in 2021.[151] Legislation permits rent increases of up to 3% for AGIs in Ontario and ARIs in British Columbia. Only CAPREIT disclosed its weighted average total rent increases, and it provided this information only for 2021.

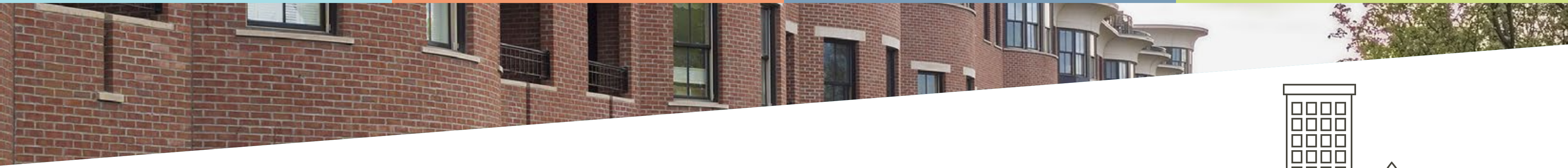


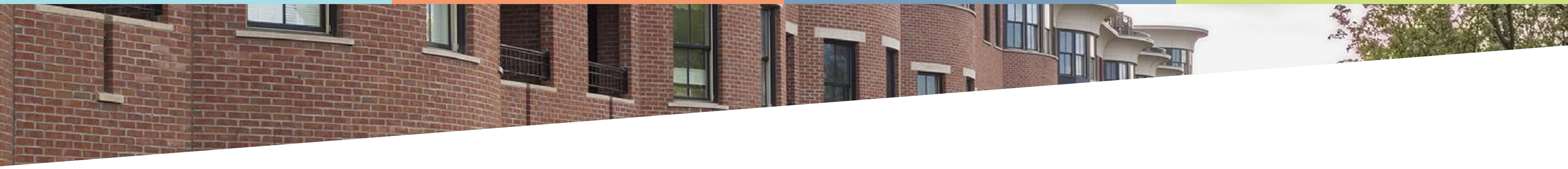
Table 11: Rent increases above provincial/territorial guidelines

	CAPREIT[152]	Boardwalk	Killam	InterRent	Minto	Morguard
AGI/ARI applications						
2021	8,902 (1,023 settled and 7,879 outstanding)					
2022						
Rent increases for AGI/ARIs						
2021	0.55%					
2022						

Though Killam does not provide information on AGIs or ARIs, it does provide data on maintenance capital expenditures per unit.[153] If this data were disclosed by all REITs, it would be easier for an investor to understand the company's approach to suite maintenance, including how much of the cost of maintaining a building's value is assumed by its renters.

Summary: Rent increases above provincial/territorial guidelines and limits

Do REITs provide their investors with sufficient disclosures?	
✗	Only CAPREIT provides sufficient data, and only for one of the two years we analyzed.
How do Canadian REITs perform?	
?	Insufficient data.



Recommended disclosure: Maintenance data

Housing advocates, researchers and the media have suggested that tenants in buildings owned by REITs experience maintenance issues and neglect, such as pest and mould issues.[154] Indeed, a 2022 survey of over 600 tenants that ACORN Canada submitted to the Office of the Federal Housing Advocate found that nearly 80% of tenants in housing owned by financialized landlords, including REITs, live in buildings or suites in need of repair, compared with 67% in buildings owned by private landlords. The survey also found that higher percentages of tenants in financialized housing face pest issues, problems with elevators and stairwells, unfinished unit repairs and outdated appliances.[155]

REITs participating in ForAffordable.ca describe themselves as "service oriented," reporting that 87% of InterRent residents who completed a survey were satisfied with maintenance support and 89% of Killam resident respondents were satisfied with the condition of their apartments.[156]

Again, given the differing narratives, more data would help investors understand the extent to which investee REITs are managing maintenance issues in good faith. Disclosure on citations, fines or settlements for violations of standards of maintenance, health, safety and related bylaws or regulations would provide an objective measure of a REIT's approach to habitability. Additional supportive data, such as how many maintenance requests a REIT receives per rental suite, how many issues are addressed through repairs, equipment replacement and pest control services, and the average response time for requests, would further support investors in understanding a REIT's approach to tenant concerns around habitability.

Summary: Maintenance data

Do REITs provide their investors with sufficient disclosures?	
✗	No REIT provides sufficient data.
How do Canadian REITs perform?	
?	Insufficient data.

Conclusion

Adequate housing is a human right and a cornerstone of a healthy and productive society. Rising housing costs in Canada have been accompanied by the financialization of housing and the growing participation of institutional investors in the rental housing market. Among Canadian institutional investors, REITs in particular have been under increasing scrutiny on the part of the general public, political leaders and regulatory bodies due to practices that affect tenants and their right to adequate housing.

This report proposes a set of metrics and disclosures on three interrelated criteria for the realization of the human right to adequate housing: affordability, security of tenure and habitability. These three categories of metrics are related: the housing crisis is an affordability crisis, and evictions, displacement and maintenance issues drive up rents systematically across markets.

The key metrics and disclosures proposed in this report should enable an initial benchmark for how well REITs uphold the human right to housing. Overall, this report finds that some REITs disclose enough information for a limited analysis of how their rental rates compare to median renter incomes, but none disclose enough data on their approach to security of tenure and habitability. Our analysis suggests that:

- Investment strategies that capitalize on tenant turnover and subsequent suite renovations to increase rents are a detriment to affordability with potential adverse human rights impacts.
- REITs do not provide enough data on evictions to address public concerns, which translates into risks for investors.
- REITs do not provide enough data on how they invest in building maintenance and how much of those costs are transferred to tenants.
- Responsible investment in housing means that investors should commit to adequate housing, establish clear targets and monitor progress in their investee companies. While the potential for strong returns is clear, investors need to be aware of how REITs' practices expose them to reputational and regulatory risks.

Responsible investment in housing means that investors should commit to adequate housing, establish clear targets and monitor progress in their investee companies. This report is a tool that can support investors in engaging the REITs in their portfolio. It can also be a tool to guide REITs in identifying metrics and disclosures that would demonstrate to their investors that they are meeting their human rights responsibilities and contributing positively to the housing sector.

Appendix 1: Key metrics and disclosures

Research for this report entailed screening company disclosures in 2021–2022 and collecting the following information:

General information

- Number of residential suites
- Portfolio by geography

Reporting standards

- Global Reporting Initiative
- Global Real Estate Sustainability Benchmark real estate assessment
- Sustainability Accounting Standards Board
- Alignment with Sustainable Development Goals
- Commitment to human rights

Affordability

- Affordability criteria considered in materiality assessment
- Average monthly rent ($)
- Average monthly rent ($) by geography
- Weighted average gross rent per square foot ($)
- Occupancy rate
- Rent compared to average renter household income
- Use of Canada Mortgage and Housing Corporation definition of affordable housing
- Affordable housing suites
- Affordable brand/division
- Turnover rates
- Change in monthly rent in turned-over suites
- Change in monthly rent – lease renewals
- Repositioned suites
- Change in monthly rent in repositioned suites
- Government assistance and grants
- Canada Mortgage and Housing Corporation loans

Security of tenure

- Eviction rates
- Affordability or rent assistance programs
- Zero-eviction programs

Habitability

- Capital investments strategy/budget
- Resident satisfaction survey
- Resident portal and customer service
- Number of maintenance requests
- Above guideline rent increases

Appendix 2: Documents screened in this research

Boardwalk REIT

Reports
- Annual Information Form (for the year ended December 31, 2021)
- Annual Information Form (for the year ended December 31, 2022)
- 2021 Annual and ESG Report
- 2021 Management's Discussion and Analysis
- 2022 Management's Discussion and Analysis

Documents
- Q1 2021 Investor Presentation
- May 2022 Investor Presentation
- January 2023 Investor Presentation

Web pages and press releases
- Investors Relations
- Commitment to Affordability
- SEDAR Public Filings

Canadian Apartment Properties REIT

Reports
- Annual Information Form (for the year ended December 31, 2021)
- 2021 Annual Report
- 2022 Annual Report
- 2021 ESG Report
- 2021 Management's Discussion and Analysis
- 2022 Management's Discussion and Analysis

Documents
- First Quarter 2021 Results Conference Call
- Investor Presentation January 2023
- The Code of Business Ethics and Conduct

Web pages and press releases
- Investor Relations
- SEDAR Public Filings

Killam Apartment REIT

Reports
- Annual Information Form (for the year ended December 31, 2021)
- 2021 Annual Report
- 2021 ESG Report
- 2021 Management's Discussion and Analysis
- 2022 Management's Discussion and Analysis

Documents
- Investor Presentation November 2021
- Investor Presentation October 2022
- Investor Presentation March 2023

Web pages and press releases
- Investors Relations
- SEDAR Public Filings

InterRent REIT

Reports
- Annual Information Form (for the year ended December 31, 2021)
- 2021 Annual Report
- 2022 Annual Report
- 2021 Sustainability Report
- 2021 Management's Discussion and Analysis
- 2022 Management's Discussion and Analysis

Documents
- Investor Presentation, Q4 2022 Conference Call, March 2023

Web pages and press releases
- Investor Relations
- SEDAR Public Filings

Minto Apartment REIT

Reports

- Annual Information Form (for the year ended December 31, 2021)
- Annual Information Form (for the year ended December 31, 2022)
- 2021 Annual Report
- 2022 Annual Report
- 2021 ESG Report
- 2021 Management's Discussion and Analysis
- 2022 Management's Discussion and Analysis

Documents

- Investor Presentation January 2023

Web pages and press releases

- Investor Relations
- SEDAR Public Filings
- Opening the Door to More Affordable Housing

Morguard North American Residential REIT

Reports

- Annual Information Form (for the year ended December 31, 2021)
- Annual Information Form (for the year ended December 31, 2022)
- 2021 Annual Report
- 2021 Sustainability Report
- 2021 Management's Discussion and Analysis
- 2022 Management's Discussion and Analysis

Web pages and press releases

- Investor Relations
- SEDAR Public Filings

Appendix 3: Rating table

This table summarizes whether real estate investment trusts disclose enough data to enable investors to perform human rights due diligence.

Criterion	Disclosure	Boardwalk	CAPREIT	InterRent	Killam	Minto	Morguard
Affordability	Average monthly rents versus renters' household incomes						
	Rent increases in turned-over suites						
	Rent increases in repositioned suites						
	Affordable housing portfolio						
Security of tenure	Eviction rates						
Habitability	Rent increases above provincial/ territorial guidelines and limits						
	Maintenance data						

Note: Green represents sufficient disclosures, orange represents partial disclosures and red represents inadequate disclosures.

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